

A Different Type of Benefit

All SERS members have the option of choosing a reversionary annuity at retirement. When you retire, you will receive a regular retirement benefit unless you elect to receive a reversionary annuity.

The SERS Reversionary Annuity option allows you to elect to reduce your retirement benefit to provide a lifetime income for your designated dependent after your death. A dependent is a spouse or anyone who you can show is dependent on you at the time of your retirement.

However, a regular retirement benefit provides the largest amount payable throughout your lifetime.

The reversionary annuity is useful for providing income to a surviving spouse or other dependent who didn't work, or worked very little, and won't receive much retirement or Social Security income.

If your life expectancy is limited, or your dependent is significantly younger than you, the reversionary annuity might be a good option for you.

If you choose the reversionary annuity, it cannot be rescinded. If the designated dependent dies before you, the reversionary annuity is void and your retirement benefit is not recalculated. The reversionary annuity does not have an annual cost of living increase.

This benefit is paid in addition to any SERS survivor benefits that may be payable at your death. You may choose a reversionary annuity benefit continuation in 10% increments from 10% to 100% of the retirement benefit.

The following two examples should provide a better understanding of how the reversionary annuity works.

Example #1: A member is planning on retiring at age 60 with a monthly retirement benefit of \$4,000. His spouse, age 58, is assumed to be dependent and is eligible for the reversionary annuity.

He decides that in addition to the SERS survivor benefit that may be payable to his spouse after his death, he would like to provide extra income for her. After a review of their financial situation, the member decides that he wants his spouse to receive 100% of his retirement benefit after his death.

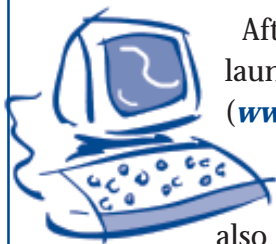
In order to provide his spouse with 100% of his retirement benefit, he chooses the reversionary annuity. The member will receive a reduced retirement benefit of \$3,566.40 per month, plus he will receive the yearly 3% increase until his death.

After he dies, his spouse will receive 100% of the retirement benefit being paid at his death for her lifetime, and may be eligible for a survivor benefit. If the spouse dies before the member, the reversionary annuity is void, and the member's retirement benefit cannot be recalculated.

Example #2: A member, age 60 with a retirement benefit of \$4,000 per month, decides to provide his spouse, age 58, with 50% of his retirement benefit after his death. In order for his spouse to receive 50% of his retirement benefit, he chooses the reversionary annuity. His retirement benefit is reduced to \$3,770.80 per month, plus he will receive the yearly 3% increase, until his death.

After he dies, his spouse will receive 50% of the retirement benefit being paid at his death for her lifetime, and may be eligible for a survivor benefit. If the spouse dies before the member, the reversionary annuity is void, and the member's retirement benefit cannot be recalculated.

New SERS Website



After a year of planning and preparation, we recently launched our new website on the Internet (www.state.il.us/srs).

The new site complies with CMS guidelines for the State's web accessibility standards, while also having many new features allowing easier access to SERS information in a friendly layout. We plan to add several more components in the near future. If you have questions or concerns about our website, feel free to contact our webmaster at dbain@srs.state.il.us.

Some of the new features include:

- Benefit Information
- Workshops & Seminars Information
- Download forms, brochures, newsletters and handbooks
- Direct link to the Social Security Administration and the Illinois State Board of Investment

Contribution Limits

The 2004 Deferred Compensation maximum contribution is the lesser of 100% of your taxable salary or \$13,000. This maximum will increase by \$1,000 each year until it reaches \$15,000. From then on, any increase is tied to the Consumer Price Index.

The age-50 catch-up contribution begins in the tax year you reach age 50. The maximum catch-up amount is \$3,000 for tax year 2004. This amount will increase by \$2,000 each year until it reaches \$20,000.

Contact Deferred Compensation for specific details at 1-800-442-1300 or 217-782-0006.

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A Mountain of Debt

As the bills from the holiday shopping sprees have arrived, Americans are finding that the mountain of debt they've built up over the years has gotten even higher.

Consumer debt has more than doubled in the last ten years to a record \$1.98 trillion in October 2003, according to the latest figures from the Federal Reserve. That debt—which includes credit cards and car loans but not mortgages—translates to some \$18,700 per U.S. household.

At the same time, the government says the nation's savings rate dropped to just 2% of after-tax income in the first half of the year. That means many people lack the means to deal with financial emergencies, much less their eventual retirement.

Experts worry about the overall impact not only on individual families, but our society as a whole. The values of the Depression generation are being lost and instead replaced by an entire generation that doesn't

know anything about thrift and careful spending.

Just how did American consumers get so deeply in debt? The problem dates back to the 1980s, when financial

institutions began issuing credit cards and making loans to people who wouldn't have qualified in the past.

There's debate about how the high debt levels and demanding repayment schedules will affect the economy. If there's a sharp setback in the economy or a spike in interest rates, the high debt rate will cause instability.

Learn about the many aspects of money management by enrolling in a SERS Investing in Your Future or Education for Tomorrow's Choices workshop. See the schedule on the back page for specific dates!

Statements of Plan Net Assets
June 30, 2003 and 2002

	2003	2002
ASSETS		
Cash	\$ 36,049,053	\$ 97,562,972
Receivables	31,658,281	34,549,705
Investments (at fair value)	7,436,093,948	7,543,749,485
Equipment (net of acc. depr.)	<u>3,087,685</u>	<u>3,227,188</u>
Total Assets	\$ 7,506,888,967	\$ 7,679,089,350
Total Liabilities	\$ (4,777,551)	\$ (5,196,659)
Net Assets Held in Trust for Pension Benefits	\$ 7,502,111,416	\$ 7,673,892,691

Statements of Changes in Plan Net Assets
June 30, 2003 and 2002

	2003	2002
REVENUES		
Contributions:		
Members	\$ 285,209,344	\$ 196,915,424
Employer	396,067,236	386,116,583
Total Contributions	\$ 681,276,580	\$ 583,032,007
Investment Income(Loss)	\$ 15,019,764	\$ (546,111,398)
TOTAL REVENUES	\$ 696,296,344	\$ 36,920,609
EXPENSES		
Benefits	\$ 831,486,596	\$ 617,918,487
Refunds <i>(including transfers)</i>	28,369,787	14,147,218
Administrative	<u>8,221,236</u>	<u>7,623,565</u>
TOTAL EXPENSES	\$ 868,077,619	\$ 639,689,270
Net (Decrease)	(171,781,275)	(602,768,661)
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	7,673,892,691	8,276,661,352
End of Year	\$ 7,502,111,416	\$ 7,673,892,691

FY03 Financial Highlights

OPERATIONS

Participant and employer contributions both rose during FY03. Higher salaries and increased contribution rates were primarily responsible for the rise, as well as the Early Retirement Incentive (ERI) program.

Benefit payments also went up substantially as a result of the ERI. Over 11,000 state employees took advantage of the ERI during the window period of August 1 through December 31, 2002. Certain employees were allowed to extend their employment until April 30, 2003.

Refund payments and administrative expenses also rose from the previous fiscal year.

INVESTMENTS

By state law, SERS' investment function, along with the Judges' and General Assembly Retirement Systems, is managed by the Illinois State Board of Investment (ISBI). All investments are accounted for in a commingled ISBI fund.

The ISBI reported a small positive investment return, reflecting the recovering stock market, both in the U.S. and abroad.

FUNDING

The most recent actuarial valuation shows the total SERS actuarial liability was \$17.6 billion. The amount of liabilities exceeded net assets by \$10.1 billion on June 30, 2003, compared to an excess of \$6.6 billion on June 30, 2002.

The funded status of SERS on June 30, 2003 decreased to 42.6% from 53.7% on June 30, 2002.



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2004 Preretirement Workshops

Take the time to come, listen, learn, and evaluate where you are and where you want to be. You owe it to your future well-being!

To register for a 2004 workshop, you must contact your agency's Retirement Coordinator. If you are not sure who your Retirement Coordinator is, check the "At a Glance" section of your Benefit Statement.

All SERS members who signed up for a 2003 workshop but received a rejection notice, will AUTOMATICALLY be placed in a 2004 workshop in the same location. You don't have to sign up again.

We will send you and your Retirement Coordinator a confirmation letter for the new date.

INVESTING IN YOUR FUTURE ***For employees under age 45***

May 4	Rockford
May 18	Urbana
Jun. 1	Chicago
Jul. 13	Mt. Vernon
Aug. 3	Springfield
Sep. 28	Springfield
Oct. 12	Matteson
Oct. 26	Collinsville

Oct 13 & 14
Nov. 3 & 4

Springfield
Springfield
& Chicago
Peoria
Springfield

Nov. 17 & 18
Dec. 8 & 9

COUNTDOWN TO RETIREMENT ***For employees within 3 years of retirement***

EDUCATION FOR TOMORROW'S CHOICES ***For employees 5-15 years from retirement***

May 26 & 27	Chicago
Jun. 9 & 10	Rockford
Jul. 7 & 8	Springfield
Jul. 14 & 15	Carbondale
Jul. 21 & 22	Peoria
Aug 11 & 12	Collinsville
Sep. 8 & 9	Springfield
Sep. 15 & 16	Matteson

May 6	Rockford
Jun. 17	Tinley Park
Jun. 24	Springfield
Jul. 8	Urbana
Aug. 5	Collinsville
Aug. 12	Springfield
Aug. 19	Chicago
Sep. 16	Springfield
Sep. 23	Carbondale
Sep. 30	Schaumburg
Oct. 14	Peoria
Oct. 21	Springfield
Nov. 4	Mt. Vernon
Nov. 18	Chicago
Dec. 2	Chicago



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